

BUDGET LETTER

		NUMBER:	18-01
SUBJECT: 2018-19 BUDGET CHANGE LETTERS (SPRING FINANCE LETTERS)		DATE ISSUED:	January 24, 2018
REFERENCES: BL 17-15		SUPERSEDES:	BL 17-01

TO: Agency Secretaries
Agency Information Officers
Department Directors
Departmental Budget Officers
Departmental Chief Information Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

This Budget Letter sets forth the Governor's policy direction for spring Finance Letter changes to the proposed 2018-19 budget.

The 2018-19 Governor's Budget continues a prudent approach to budgeting and maintains a structurally balanced budget, while preparing for the next recession. The proposed Budget preserves critical state services, fills up the Rainy Day Fund to 100 percent of its constitutional target, and continues to pay down debts and liabilities. Although the 2018-19 Budget is projected to have a healthy one-time surplus, the state continues to face uncertainty given a recovery period approaching the longest period in post-war history, ramifications of the recent federal tax bill, and potential changes in other federal policies. As such, departments must continue to control costs and increase efficiencies, and refrain from creating new—or expanding existing—programs to preserve the state's fiscal stability. The restrictions specified in [BL 17-15](#) remain in effect.

FINANCE LETTERS

To maintain a structurally balanced budget and to prepare for the significant uncertainties and potential tougher budget times ahead, departments' ability to submit Budget Change Proposals (BCP) or enrollment, caseload, and population (ECP) policy changes for the 2018-19 Budget remains limited. Unless previously approved by your Finance Program Budget Manager, proposed spring Finance Letters are limited to making technical corrections to existing proposals. This applies to all funds and all departments (including those not under the Governor's direct authority).

Departments must contact their Finance Program Budget Manager **before** the spring Finance Letter due date, if there is a critical need that does not meet the criteria outlined above. **I strongly encourage you to work collaboratively with your Finance Program Budget Manager on an ongoing basis to prioritize budget requests prior to submitting any proposals.**

All proposed spring Finance Letters, regardless of funding source, must be submitted to Finance no later than Friday, **February 9, 2018**. Compliance with the February 9 deadline is critical to allow Finance to submit budget modifications to the Legislature in a timely manner, consistent with Section 13308 of the Government Code. This statute requires Finance to provide to the Legislature, by April 1, all proposed adjustments with the exception of ECP changes in the May Revision and capital outlay adjustments.

Departments are to use form [DF 46](#) (August 2017) to prepare the narrative portion of non-Capital Outlay Finance Letter requests, and are required to submit such requests in hard copy form with appropriate signatures. For the most current information, use BCP forms and instructions from the Finance website at: http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/

Departments using FI\$Cal/Hyperion should provide all necessary budget information in Hyperion either by keying data in the system directly or by utilizing upload templates for data input. To reduce errors and ensure the latest program or chart of account information is current, always use the template available [online](#), which includes the latest chart of accounts and other technical corrections. Contact your Finance budget analyst for assistance, if necessary.

CAPITAL OUTLAY FINANCE LETTERS

Capital Outlay Finance Letter requests for 2018-19 must include fiscal impact worksheets (FIW) DF-150 form and must be provided in both hard copy and electronically via e-mail. All fiscal detail related to Capital Outlay Finance Letter requests must be entered in the FIW (Excel spreadsheet). The [FIW](#) and [Capital Outlay BCP](#) forms are available on the Finance website through the following link: [Budget Forms](#).

Section 13308 of the Government Code requires that all proposed adjustments to the Governor's Budget for capital outlay be submitted to the Legislature by May 1. However, it is anticipated all such adjustments will be submitted to the Legislature by April 1. Traditionally, these adjustments include updates to reflect new budget package information, reversions associated with project terminations, and reappropriations to reflect unanticipated changes in project schedules. Departments must submit Technical Letter requests to Finance by **Friday, February 16, 2018**.

MAY REVISION

Section 13308 of the Government Code requires submission of the May Revision to the Legislature by May 14. The May Revision includes updated estimates of revenues, proposals to adjust expenditures to reflect updated revenue estimates, if necessary, and proposals to adjust Proposition 98 and ECP-driven programs. Departments traditionally affected by ECP changes should discuss appropriate submission dates with their Finance budget analyst to ensure compliance with the May Revision deadline. As with Finance Letters, departments are expected to work collaboratively with your Finance Program Budget Manager on an ongoing basis to prioritize budget requests prior to submitting any proposals.

/s/ Michael Cohen

MICHAEL COHEN
Director